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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

JAN 29 1999

DOCKETED BY

Ad

JIM IRVIN  
Commissioner - Chairman  
TONY WEST  
Commissioner  
CARL J. KUNASEK  
Commissioner

IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST GAS CORPORATION - FILING  
FOR APPROVAL OF A SPECIAL GAS  
PROCUREMENT AGREEMENT WITH BONITA  
NURSERIES, INC.

DOCKET NO. G-01551A-98-0733

DECISION NO. 61375

ORDER

Open Meeting  
January 27 and 28, 1999  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation (Southwest) is engaged in providing natural gas within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

2. On December 18, 1998, Southwest filed for Commission approval of a Special Gas Procurement Agreement (procurement agreement) under Special Clause Three of Schedule G-30 (Optional Gas Service) with Bonita Nurseries, Inc. (Bonita).

3. On January 6, 1999, the Commission suspended this filing for 60 days to allow Staff to get further information from Southwest for Staff's analysis of the proposed procurement agreement.

4. Service under Schedule G-30 is available to customers who can establish that bypass of Southwest is economically, operationally, and physically feasible and imminent.

5. Bonita is located approximately 5 miles from El Paso Natural Gas Company's interstate pipeline.

6. Staff has reviewed Bonita's usage characteristics and projected bypass costs and believes that bypass is a viable option for Bonita despite the relatively long distance to the El Paso pipeline. Further, Southwest has indicated that the proposed procurement agreement is necessary to avoid such a bypass.

7. Bonita is currently being served under a special gas procurement agreement approved

1 by the Commission in Decision Number 60370 (August 29, 1997).

2 8. Southwest and Bonita have renegotiated certain terms of the previously approved special  
3 gas procurement agreement. The renegotiated procurement agreement took effect on September 1,  
4 1998 and Southwest began billing Bonita under the renegotiated terms at that time.

5 9. Southwest has indicated that it believed it could notify Staff of changes to the  
6 procurement agreement in the same manner it notifies Staff of revisions to other types of negotiated  
7 contracts. During subsequent discussions, Staff informed Southwest that changes to procurement  
8 agreements need to be filed for Commission approval. Southwest subsequently filed the revised  
9 contract with the Commission for approval. Southwest also indicated that in the future it will seek  
10 Commission pre-approval of changes to gas procurement agreements.

11 10. Staff is concerned with Southwest's failure to file for timely Commission approval of the  
12 amended procurement agreement. However, given that this is the first time (along with the Raytheon  
13 procurement agreement, Docket No. G-01551A-98-0734) such a failure has taken place and the  
14 similarity of the terms of the currently effective and the revised agreements, Staff believes that  
15 Commission should not take further action regarding Southwest's failure to file for Commission  
16 approval of the revised procurement agreement at the proper time.

17 11. However, if any such failures take place in the future, Staff recommends that the  
18 Commission consider taking further action to ensure the timely filing of procurement agreements for  
19 Commission approval.

20 12. The specific charges for serving Bonita were provided to Staff under a confidentiality  
21 agreement. Staff has reviewed the charges included in the proposed procurement agreement and  
22 believes that the revenues Southwest receives should cover its cost of serving Bonita.

23 13. However, if conditions change in the gas market it is theoretically possible that  
24 Southwest could experience a negative margin on this procurement agreement.

25 14. As required by Schedule CG-30, Southwest will credit the Purchased Gas Adjustor  
26 account with all upstream pipeline capacity charges collected from Bonita. This will benefit other  
27 ratepayers.

28 15. The volume and rate portions of the proposed procurement agreement are effective

1 through the end of August, 1999.

2 16. Bonita has a viable alternative to being served by Southwest. Without this agreement  
3 Southwest might lose net revenues it would otherwise receive.

4 17. Therefore, Staff has recommended approval of this filing.

5 18. Further, Staff has recommended that any negative margin resulting from this agreement  
6 not be recovered from other ratepayers in any future proceeding.

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CONCLUSIONS OF LAW

10 1. Southwest is an Arizona public service corporation within the meaning of Article XV,  
11 Section 2, of the Arizona Constitution.

12 2. The Commission has jurisdiction over Southwest and over the subject matter of the  
13 application.

14 3. The Commission, having reviewed the application and Staff's Memorandum dated  
15 January 13, 1999, concludes that it is in the public interest to approve the filing.

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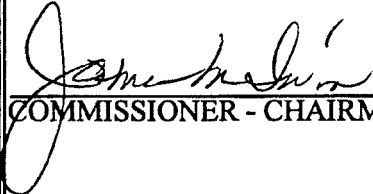
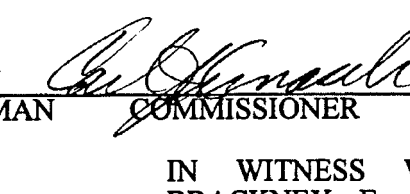
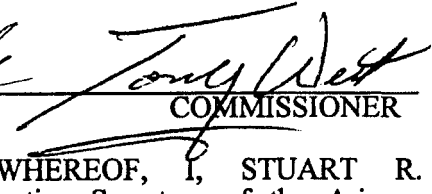
ORDER

THEREFORE, IT IS ORDERED that the filing be and hereby is approved.

IT IS FURTHER ORDERED that any negative margin resulting from this agreement shall not be recovered from other ratepayers in any future proceeding.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

    
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COMMISSIONER - CHAIRMAN      COMMISSIONER      COMMISSIONER

IN WITNESS WHEREOF, I, STUART R. BRACKNEY, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 29 day of January, 1999.

  
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STUART R. BRACKNEY  
Executive Secretary

DISSENT: \_\_\_\_\_

RTW:BGG:yxm/JMA

Decision No. 61375